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Financial

BROOKLYN EDISON COMPANY, Inc.

Annual Report for the Year ending December 31, 1918

Presented at the Annual Meeting of the Stockholders, February 24, 1919, Brooklyn, N. Y.

CHRONICLE MAR 1 1919

BOARD OF DIRECTORS

FRANK BAILEY	N. F. BRADY	DANIEL J. CREEM	GEORGE B. GALLAGHER	THOMAS E. MURRAY
CHARLES A. BOODY	H. L. BRIDGMAN	H. C. DuVAL	WILLIAM V. HESTER	J. N. WALLACE
JAMES C. BRADY	WILLIAM C. COURTNEY	WALTON FERGUSON	ADRIAN T. KIERNAN	W. F. WELLS

OFFICERS

N. F. BRADY, President

JAMES C. BRADY, Vice-President — W. F. WELLS, Vice-President and General Manager — J. B. MURRAY, Assistant General Manager

H. P. ERWIN, Treasurer — E. A. BAILY, Secretary — J. C. VAN DUYNE, Auditor

To the Stockholders,
Brooklyn Edison Company, Inc.:

Pursuant to the vote of the stockholders at the meeting held December 18, 1918, the name of the Company was changed from Kings County Electric Light and Power Company to Brooklyn Edison Company, Inc., and became effective January 10, 1919.

As the Kings County Electric Light and Power Company, owned the entire capital stock of the Edison Electric Illuminating Company of Brooklyn, on December 31, 1918, the two companies are, as formerly, treated in combination in the financial reports, thereby eliminating corresponding cross entries that would necessarily appear in separate statements.

The second war year brought forth many unusual and difficult situations with unprecedented scarcity and uncertainty in delivery of essential materials and supplies. Prices for all commodities continued to rise. Not alone did the cost of coal, the source of all the energy produced, show a large increase, but the grade furnished was far inferior to that supplied under normal conditions. Wages, the largest single item of expenses, advanced materially. Many employees enlisted, a large number were drafted, and others resigned to take positions in war industries, necessitating the employment of women to fill their places. Taxes were materially increased. The so-called lightless nights and workless days and the daylight saving all tended to reduce the year's revenue. Considering the foregoing, the results for the year are satisfactory as shown by the following condensed statement of earnings and expenses.

	1918.	1917.	1916.
Total Revenue	$8,854,302 14	$8,381,055 25	$8,204,808 66
Expenses including Taxes and Reserve for Property Retired	6,162,445 58	5,511,982 25	5,014,050 03
Gross income	$2,691,856 56	$2,869,073 00	$3,190,758 63
Contingencies Reserve	199,620 06	596,704 14	569,174 65
	$2,492,236 50	$2,272,368 86	$2,621,583 98
Interest and Discount	$898,677 20	$802,710 78	$761,628 62
Dividends, &c	1,495,749 88	1,425,522 10	1,293,509 86
Surplus for the year	$97,809 42	$44,135 98	$566,445 50
Adjustments, Previous Years		59,463 68	*69 83
Credit to Profit and Loss	$97,809 42	$103,599 66	$566,375 67
Stock Outstanding December 31	$17,237,000 00	$17,156,500 00	$15,651,200 00

* Deduction.

Detailed statement will be found below.

The results have been largely attained through the loyal support of the management by an energetic and patriotic corps of employees, many of whom were at times carrying extra duties, due to constantly changing conditions, the influenza epidemic and the absence in service of their former associates. Every endeavor was made to help win the war, and at the same time promote the conservation of capital. The sales force was reduced to a minimum, and devoted its time in attending the needs of the Government, furthering the development of essential war industries, and obtaining additional business from existing customers, thereby augmenting the revenue of the Company with a minimum of expense.

Contracts were signed for 52,000 horse-power, and included installations for shipyards; the great army and navy bases at South Brooklyn; manufacture of torpedoes, ammunition, gyroscopes, stabilizers, searchlights, gas-mask parts, shoes, uniforms, food products and various other war necessities. Twenty-two private plants were discontinued in favor of the Company's service.

The summary of business obtained during the year as compared with 1917, and the total number of customers is as follows:

	1918.	1917.	*Increase.*
Total Contracts Signed	38,478	43,178	*4,700
Number of Customers, Dec. 31	99,262	86,777	12,485

* Decrease.

The resultant increase in current output was as follows:

Kilowatt Hours Sold	218,977,825	202,823,791	16,154,034
Largest Daily Output in Kilowatt Hours Generated	1,135,000	998,000	137,000
Maximum Load in Kilowatts Generated	86,000	78,000	8,000

PLANT AND PROPERTY.

During the year, as anticipated in the last annual report, a 12,500 kilowatt high efficiency turbo generator was installed at the Gold Street Station in place of the first turbine put into operation at that station, rated at 5,000 kilowatts. Two 12,500 kilowatt, sixty-cycle turbo generators were scheduled for installation at the 66th Street Station during the year, with necessary condensing, switch-board and auxiliary apparatus to replace two engine driven units having a capacity of 4,350 kilowatts. One of these machines was installed, but only under great difficulty, occasioned by the inability of manufacturers to live up to their promises, the delay in railroad deliveries and almost continuous setback due to Government priorities. However, by constant planning, we were able to keep pace with the demands for service, and to take care of all requirements. The installation of the second 12,500 kilowatt unit at 66th Street should be completed during the early part of the present year.

Current transforming apparatus, totaling 24,000 kilowatts, has been installed in the various substations, together with auxiliary units and switchboard apparatus for its control.

SECURITIES.

Much time and study was given during the year to working out a plan for the future financing of the Company. The Directors finally determined that the most practicable plan would be for the Company to merge into and with itself, the Edison Electric Illuminating Company of Brooklyn and with the consent of the stockholders to execute a mortgage securing an issue of bonds.

The stockholders of the Kings County Electric Light and Power Company on December 18, 1918, consented to the execution by the Company and its delivery to the Central Union Trust Company of New York, as Trustee of a mortgage to be designated its "General Mortgage" upon all the plant and property of the Company now owned or hereafter acquired, to secure bonds to be issued thereunder from time to time for the general corporate purposes of the Company.

Necessary petitions were duly submitted to the Public Service C... mission requesting their permission and approval to me... execute a General Mortgage; and to authorize an issue of Seri...

On January 27, 1919, the Commission granted the petitio... and authorized the issue of $5,500,000 of bonds toward rein... of expenditures for additions and extensions made up to a... December 31, 1918. The merger was effected January 27, 1... A, five percent, general mortgage, thirty year bonds to th... $5,500,000 were authorized by the Board of Directors ... 29, 1919.

At the close of 1918 there had been converted into stock ... of the 1910 series of $4,000,000 six per cent, twelve-year, C... Debenture Bonds and $3,587,400 of the 1913 series of $5... similar bonds.

The number of stockholders has increased over a year ago... being nearly 1,800.

DIRECTORATE.

We regret to report that through the death of Mr. Bernard ... on April 19, 1918, the Company sustained the loss of a high... member of the Board of Directors, who had served its interests ... for over seventeen years. To fill the vacancy thus created, Mr. ... B. Gallagher was elected to succeed his father.

EMPLOYES' DIVIDENDS AND PENSIONS

In November the Directors approved for the ninth consecut... the plan first adopted in 1910 whereby the employes received a ... on their wages based on time of service with the Company. There ... six men on the pension roll, no changes having taken place duri... year.

Since the inception of the plan in 1910, 414 employes have ... stockholders of the Company, and in addition to the securities ... employes through the Brooklyn Edison Investment Fund, ... 2,186 shares of stock owned outright by the employes. D... same period the number of employes who have been with the ... five years or more has increased from 298 to 830.

NATIONAL SERVICE.

Continued loyalty to the City, State and National Governments is evidenced by the record of the Company and its employes. Upwards of three hundred and seventy-five former employes were active in the Federal Service. War Savings Stamps were continually on sale at nine of the Company's offices that came in contact with the general public and substantial subscriptions were made to the Liberty Loan, Red Cross and United War Work Campaigns. In the Third and Fourth Liberty Loan drives, the employes of the Company sold to the general public upwards of $1,900,000 of bonds.

CONCLUSION.

Throughout the year the primary ideal of the Company has been to co-operate in every way possible toward the winning of the war and to render a distinctly first-class service to its patrons, despite unusual and often trying conditions.

The indications are that the present year will see to a large extent the transition throughout the country generally from a war to a peace basis. The Company will, it is believed, be able to adjust itself to the changing conditions, and with the continuance of its established policy of economical management and a judicious campaign for new business, should be able to attain results that will prove acceptable.

Detailed statements of the Company's operations for 1918 with 1917 comparisons follow:

By Order of the Board of Directors,

W. F. WELLS,
Secretary to the Board.

N. F. BRADY, President.
February 24, 1919.

KINGS COUNTY ELECTRIC LIGHT AND POWER COMPANY and EDISON ELECTRIC ILLUMINATING COMPANY OF BROOKLYN COMPARATIVE COMBINED EARNINGS 1918 AND 1917.

	1918.	1917.	*Increase.*
Gross Operating Revenue	$8,768,037 74	$8,304,411 78	$463,625 96
Operating Revenue Deductions:			
Operating Expenses, excepting Taxes and Reserve for Property Retired	4,659,936 23	4,114,892 04	545,044 19
Taxes	925,000 00	715,289 94	209,710 06
Reserve for Property Retired	577,509 35	681,800 27	*104,290 92
	$6,162,445 58	$5,511,982 25	$650,463 33
Net Operating Revenue	$2,605,592 16	$2,792,429 53	*$186,837 37
Net Non-Operating Revenue	86,264 40	76,643 47	9,620 93
Gross income	$2,691,856 56	$2,869,073 00	*$177,216 44
Contingencies Reserve	199,620 06	596,704 14	*397,084 08
	$2,492,236 50	$2,272,368,86	$219,867 64
Income Deductions:			
Interest on Funded Debt	$715,374 00	$711,241 67	$4,132 33
Interest on Unfunded Debt	163,034 39	71,200 30	91,834 09
Bond Discount Written Off	20,268 81	20,268 81	----------
	$898,677 20	$802,710 78	$95,966 42
Net Income	$1,593,559 30	$1,469,658 03	$123,901 22
Dividends	$1,374,216 00	$1,334,716 00	$39,500 00
Appropriations and Employes' Dividends	121,533 88	90,806 10	30,727 78
	$1,495,749 88	$1,425,522 10	$70,227 78
Surplus for the Year	$97,809 42	$44,135 98	$53,673 44
Adjustment, Previous Years	----------	59,463 68	*59,463 68
Balance to Credit of Profit and Loss	$97,809 42	$103,599 66	*5,790 24
Previous Profit & Loss Balance	3,267,415 61	3,163,815 95	103,599 66
Total Profit & Loss Balance	$3,365,225 03	$3,267,415 61	$97,809 42

* Decrease.

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Joint Stock Land Bank 5% Bonds

Dated November 1st, 1918. Due November 1st, 1938. Redeemable at par and accrued interest on any interest date after November 1st, 1923. Coupon Bonds, exchangeable for registered bonds and interchangeable. Denomination $1,000 and $500. Interest payable semi-annually, May 1st and November 1st, principal and interest payable at the bank of issue or collectible through the offices of the undersigned. Issued by the following Joint Stock Land Banks under the supervision of the Federal Farm Loan Board, a bureau of the United States Treasury Department.

Lincoln Joint Stock Land Bank 5's
Virginian Joint Stock Land Bank 5's
Arkansas Joint Stock Land Bank 5's
Mississippi Joint Stock Land Bank 5's
Iowa Joint Stock Land Bank 5's

Attention is called to the following investment qualities of these Joint Stock Land Bank Bonds.

1. Instrumentalities of the United States Government.
2. Exempt from all Federal, State, Municipal and Local Taxation excepting only Inheritance Taxes.
3. Legal investment for all Trust and Fiduciary Funds under Federal Jurisdiction.
4. Acceptable as security for Government Deposits, including Postal Savings Deposits.
5. Secured by first farm mortgages made under Federal supervision or by U. S. Government Bonds or Certificates.
6. The Attorney General of the United States has rendered an opinion approving the constitutionality of the act and the validity of its provisions.

Price to yield over 4.50% to optional date; 5% thereafter

Send for our booklet "Joint Stock Land Bank Bonds" which outlines the investment qualities of these bonds

The Equitable Trust Co. of New York
BOND DEPARTMENT
37 WALL STREET, NEW YORK

Halsey, Stuart & Co.
Incorporated—Successors to
N. W. HALSEY & CO., Chicago
CHICAGO NEW YORK

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1918

Financial

BROOKLYN EDISON COMPANY, Inc.—Concluded.

COMBINED BALANCE SHEET FOR YEARS ENDING DECEMBER 31, 1918 AND 1917.

Assets—	1918.	1917.
Plant and Property	$38,682,816 31	$36,481,909 12
License under Edison Patents	945,000 00	945,000 00
Material and Supplies	1,623,273 18	1,252,471 01
Cash in Banks and on Hand	472,992 34	392,307 52
Bills Receivable	77,749 93	73,031 07
Accounts Receivable	1,385,394 21	1,068,803 76
Stocks and Bonds in Other Companies	599,018 43	599,018 43
Central Union Trust Company, Trustee (Guarantee Fund)	1,000,000 00	1,000,000 00
Insurance Participation Fund	352,798 80	333,464 71
Other Investments, U. S. Liberty Bonds	341,700 00	197,050 00
Pension Reserve Fund	230,713 91	197,843 63
Workmen's Compensation Fund	43,000 00	43,000 00
City of New York Guarantee Deposit	38,425 00	27,250 00
Unamortized Debt, Discount and Expense	402,042 87	422,311 68
Prepaid and Other Suspense Accounts	*30,348 30	72,889 98
	$46,164,576 68	$43,106,350 91

Liabilities—	1918.	1917.
Capital Stock	$17,237,000 00	$17,156,500 00
Edison Electric Illuminating Co. of Brooklyn First Consolidated Mortgage 4% Bonds	4,275,000 00	4,275,000 00
Kings County E. L. & P. Co. First Mortgage 5% Bonds	2,500,000 00	2,500,000 00
Kings County E. L. & P. Co. Purchase Money 6% Bonds	5,176,000 00	5,176,000 00
Kings County E. L. & P. Co. Convertible 6% Debenture Bonds	1,763,000 00	1,843,500 00
Bills Payable	2,667,650 00	1,197,050 00
Consumers' Guarantee Deposits	528,866 27	443,759 94
Accounts Payable	1,546,985 92	436,979 49
Bond Interest and Accrued Expenses	509,323 71	629,447 27
Premium on Stock Reserve	10,542 00	10,542 00
Reserve for Property Retired	4,194,492 81	4,059,291 38
Contingencies Reserve	1,365,498 85	1,165,878 79
Casualty Insurance Reserve	203,995 57	184,015 69
Workmen's Compensation Reserve	43,000 00	43,000 00
Insurance Participation Reserve	352,798 80	333,464 71
Pension Fund Reserve	230,713 91	197,843 63
Other Reserves	194,483 81	186,662 40
Corporate Surplus	3,365,225 03	3,267,415 61
	$46,164,576 68	$43,106,350 91

* Credit.

NOTES ON COMBINED BALANCE SHEET.

Plant and property shows a net increase of $2,200,907 19. The gross sum expended in new construction and additions and replacements was $2,643,215 11, the difference having been charged to Reserve for Property Retired, for replacement or withdrawal of property retired from service. Plant and Property represents property at fair and legitimate valuations, which is being kept up in first-class operating condition.

The Account, License Under Edison Patents, represents the price paid originally by the Edison Electric Illuminating Company of Brooklyn, in stock for the exclusive right in Brooklyn to the use of the name and patents of the Edison Electric Light Company since succeeded by the General Electric Company, and for valuable reciprocal trade arrangements as an Edison Licensee Company.

The Guarantee Fund of $1,000,000 held by the Central Union Trust Company of New York, as Trustee, is a guarantee deposit required under the purchase money mortgage of the Kings County Electric Light and Power Company to insure the payment of interest on said bonds. The fund is invested in approved securities which earn an average of 4.65 per cent per annum.

Insurance Participation Fund has been increased by the sum of $19,334 09, and amounted at the end of the year to $352,798 80. This represents the Company's interest paid for from earnings in a joint insurance fund with other similar large companies, which fund aggregates $2,714,488 56, all of which is available as protection against loss by fire. Since the fund is held as an insurance reserve and represents the accruing liability under the fire hazard, a corresponding entry is carried on the Company's books as a contingent liability.

Unamortized Debt Discount and Expense represents the discount on bonds sold in prior years at less than par and which is being charged off during the life of said bonds.

Bond Interest and Accrued Expense, $509,323 71, represents bond interest and accrued expenses including estimated Federal Tax on Income for 1918, payment of which is not due.

The Reserve for Property Retired has been increased $135,201 43, representing the difference between the credits made during the year and the cost of property withdrawn from service.

The Casualty and Compensation Reserves have been increased $19,979 88. These funds have been accumulated from operating expenses based upon the premium previously paid for casualty insurance, which risk the Company has since assumed.

To the President and Directors of Brooklyn Edison Company, Inc., Brooklyn, N. Y.

Gentlemen:

I have completed the examination of the accounts of your Company for the year 1918, the accounts in that year being carried in the name of the Kings County Electric Light and Power Company, and also the accounts of your affiliated Company, the Edison Electric Illuminating Company of Brooklyn, for the same period.

The transactions of both Companies, as shown by the records of receipts and disbursements, have been correctly recorded. I have verified the bank accounts and counted the cash in the hands of the cashiers; have examined and counted the securities in the custody of the Treasurer, which were found correct and in order. The balance sheets and income accounts are correct, and in accordance with the books, and in my opinion they truly represent the position and operations of the Company at and up to December 31, 1918.

Respectfully submitted,

(Signed) H. M. EDWARDS, *Accountant.*

Brooklyn, January 29, 1919.

Interborough Consolidated Corporation

To the Holders of

Interborough-Metropolitan Company
Collateral Trust
Four-and-a-half Per Cent. Gold Bonds

In view of the failure of Interborough Rapid Transit Company to make provision for the dividend upon its stock and the consequent danger of default in the payment of the semi-annual installment of interest due April 1, 1919, upon the Interborough-Metropolitan Company Collateral Trust Four-and-a-half Per Cent Gold Bonds, the undersigned Protective Committee has been formed in order that Bondholders may be in a position to take concerted action as occasion may arise. Bondholders are accordingly invited to deposit their bonds, with all coupons attached, on or before March 31, 1919, with **Guaranty Trust Company of New York,** 140 Broadway, New York City, as Depositary, under a Deposit Agreement, which is now in course of preparation. Against such deposits the Depositary will issue its transferable certificates of deposit. Copies of the Deposit Agreement, when prepared, may be obtained at the office of the Depositary.

New York, February 27, 1919.

GRAYSON M-P. MURPHY, Chairman,
JOHN McHUGH,
CHARLES A. PEABODY,
CHARLES S. SARGENT, Jr.,
JAMES A. STILLMAN,
FREDERICK STRAUSS,
Committee.

JOHN A. GRISWOLD, Secretary,
140 Broadway, New York City.

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INVESTMENT OFFERINGS

MUNICIPAL BONDS

Free of all Federal Income Taxes

NC **City of Bayonne, N. J.**
Water 5s, serially 1920 to 1937
Exempt from personal taxation in N. J.
To yield 4.65%

Multnomah County, Ore.
Highway 5s, due 1927
To yield 4.70%

C **City & County of Denver, Colo.**
Water 4½s, due 1948
Redeemable after 1928
To yield 4.58%

City of Charlotte, N. C.
School 5s, serially 1920 to 1946
To yield 4.75%

RAILROAD BONDS

MC **Atch., Top. & Santa Fe Ry.**
Eastern Oklahoma Div.
1st Mtge. 4s, due 1928
To yield 5.10%

Union Pacific RR. Co.
Convertible 4s, due 1927
To yield 5.95%

C **Chicago, St. Louis & New Orleans Railroad Co.**
Cons. Mtge. 5s, due 1951
To yield 5.10%

NMC **Pennsylvania RR. Co.**
General Mtge. 5s, due 1968
To yield 5.20%

C **Chicago & Nor. West. Ry. System**
St. Paul Eastern Grand Trunk
1st Mtge. 4½s, due 1947
To yield 5.40%

Chicago, St. Paul, Minneapolis & Omaha Ry. Co.
Debenture 5s, due 1930
To yield 5.85%

Southern Pacific Co.
Convertible 4s, due 1929
To yield 6.10%

NMC **Norfolk & Western Ry. Co.**
New River Division
1st Mtge. 6s, due 1932
To yield 5.00%

NMC **Northern Pacific Ry. Co.**
General Lien 3s, due 2047
To yield 5.00%

C **Louisville & Nashville RR. Co.**
Atlanta Knoxville & Cinn. Div.
Mtge. 4s, due 1955
To yield 5.40%

PUBLIC UTILITY BONDS

C **American Tel. & Tel. Co.**
Coll. Trust 5s, due 1946
To yield 5.60%

Superior Water, Lt. & Pr. Co.
1st Mtge. S. F. 4s, due 1931
To yield 6.15%

Cleveland Elec. Illum. Co.
1st Mtge. 5s, due 1939
To yield 5.45%

Brooklyn Edison Co., Inc.
Gen. Mtge. 5s, due 1949
Exempt from personal taxation in N. Y.
To yield 5.60%

Key—"N" Legal for Savings Banks and Trust Funds in New York.
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